



Department of Defense INSTRUCTION

NUMBER 1015.13

June 17, 1998

ASD(FMP)

SUBJECT: Department of Defense Procedures for Implementing Public-Private Ventures (PPVs) for Morale, Welfare and Recreation (MWR) Category C Revenue-Generating Activities

References: (a) DoD Directive 1015.1, "Establishment, Management and Control of Nonappropriated Fund Instrumentalities," August 19, 1981
(b) DoD Directive 1015.2, "Military Morale, Welfare and Recreation," June 14, 1995
(c) DoD Directive 1330.9 "Armed Services Exchange Regulations," December 15, 1986
(d) DoD Directive 1015.8, "DoD Civilian Employee Morale, Welfare and Recreation (MWR) Activities and Supporting Nonappropriated Fund Instrumentalities (NAFIs)," October 22, 1985
(e) through (h), see enclosure E1.

1. PURPOSE

This Instruction implements DoD policy, assigns responsibilities and prescribes procedures under reference (a) for using PPVs to provide MWR Category C Revenue-Generating Activities and exchange programs.

2. APPLICABILITY AND SCOPE

This Instruction applies to:

2.1. The Office of the Secretary of Defense, the Military Departments (including the Coast Guard when it is operating as a Military Service in the Navy by agreement with the Department of Transportation), the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Defense Agencies, and the DoD Field Activities; and the

Commissioned Corps of the Public Health Service and the National Oceanic and Atmospheric Administration under the agreements with the Departments of Health and Human Services and Commerce.

2.2. Nonappropriated fund instrumentality (NAFI) management of resources, programs and activities that support the MWR and exchange services missions as defined in references (b), (c), and (d). Commissaries, military exchange merchandise retail stores and package stores are excluded.

3. DEFINITIONS

3.1. Morale, Welfare and Recreation (MWR) Category C Revenue-Generating Activities. Military MWR program business activities as authorized in DoD Instruction 1015.10, reference (e); and civilian MWR activities identified in DoD Directive 1015.8, reference (d). Some examples include unofficial lodging; food beverage, and entertainment programs; bowling (over 12 lanes); golf; marinas (private boat berthing); and amusement and recreation machines.

3.2. Nonappropriated Fund (NAF) Capital Expenditure. NAF expenditure to purchase tangible fixed assets having a useful life expectancy of more than 2 years and an acquisition cost of \$1,000 or more.

3.3. Public-Private Ventures (PPVs). A PPV is an agreement between a DoD NAFI and a non-Federal entity under which the non-Federal entity provides goods, services or facilities to authorized MWR and exchange patrons. A non-Federal entity may, through a PPV, provide a portion or all of the financing, design, construction, equipment, staffing and operation of a program for goods, services, or facilities.

4. POLICY

4.1. It is DoD policy to consider opportunities to partner with the private sector to enhance Category C business activities and military exchange services for our authorized customers. PPV agreements shall be considered as an alternative source to meet capital requirements in excess of \$1 million for Category C MWR activities and exchange activities.

4.2. PPV arrangements may be used to provide only the services and activities that are the mission of the MWR and exchange programs as defined in DoD Directive 1015.2, reference (b); DoD Directive 1330.9, reference (c); and reference (d).

4.3. MWR and military exchange programs provided through PPV arrangements shall conform to patron restrictions in references (b), (c), and (d).

5. RESPONSIBILITIES

5.1. The Assistant Secretary of Defense for Force Management Policy, under the Under Secretary of Defense for Personnel and Readiness, shall serve as the principal point of contact for all NAF PPV policy matters.

5.2. The Secretaries of the Military Departments shall implement policies and procedures consistent with this Instruction in their respective organizations.

6. PROCEDURES

6.1. Proposed NAF capital expenditures in excess of \$1 million shall be assessed to determine if a PPV agreement is a suitable alternative and to ensure that the benefit and the mission are not compromised. The assessment shall consider the effect of a PPV on authorized patrons, the MWR program, the DoD mission, and the local community.

6.2. If a PPV alternative is suitable, the NAFI shall perform an economic analysis to determine whether a NAF capital expenditure or a PPV provides the best value. Capital budgeting techniques, such as net present value analysis, shall be used to ensure that the NAF capital expenditure and the PPV alternative(s) are reasonably compared.

6.2.1. If the PPV option appears economically advantageous, the NAFI shall conduct a commercial viability analysis. The commercial viability analysis determines the PPV parameters and approach that are feasible in the commercial marketplace. The NAFI shall solicit information from potential offerors and provide opportunities for comment by the local community.

6.2.2. If the potential PPV is determined to be commercially viable and financially preferable, the NAFI will proceed with the procurement process to determine if an acceptable PPV agreement can be reached.

6.3. PPV agreements resulting in privately financed construction projects shall be approved and reported in accordance with DoD Instruction 7700.18 (reference (f)).

6.4. PPV agreements shall conform to policies and procedures in DoD Instruction 4105.67 (reference (g)). If facility ownership is not transferred to the Government upon completion of construction, the arrangement shall be evidenced by a lease to accompany the PPV agreement. If the PPV agreement includes a lease, the lease shall conform to 10 U.S.C. 2667 (reference (h)). The decision with respect to leasing Government property shall be fully analyzed and documented.

6.5. PPV fees, commissions, or other payments required by the NAFI PPV agreement (other than real property rental payments) shall be deposited into NAF accounts.

6.6. Assistant Secretary of Defense for Force Management Policy approval is required before a NAFI executes a PPV agreement that involves:


6.6.1. Debt service or other loan guarantees, credit enhancement, or occupancy guarantees resulting in potential Federal Government or NAFI liabilities in excess of \$500,000.

6.6.2. An overseas fast food restaurant.

6.7. This Instruction creates no rights or remedies and may not be relied upon by any person, organization, or other entity to allege a denial of any rights or remedies.

7. EFFECTIVE DATE

This Instruction is effective October 1, 1998.


Francis M. Rush, Jr.
Acting Assistant Secretary of Defense
Force Management Policy

Enclosures - 1

1. References, continued

E1. ENCLOSURE 1

REFERENCES, continued

- (e) [DoD Instruction 1015.10](#), “Programs for Military Morale, Welfare, and Recreation,” November 3, 1995
- (f) [DoD Instruction 7700.18](#), “Nonappropriated- and Privately-Funded Construction Projects – Review and Reporting Procedures,” May 12, 1983
- (g) DoD Instruction 4105.67, “Nonappropriated Fund Procurement Policy,” October 2, 1981
- (h) Section 2667 of title 10, United States Code